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SUBJECT: LOWER MEKONG NATIONS ENGAGE CHINA, TACKLE HYDROPOWER

REF: A) Beijing 2941 (B) Bangkok 2682 (D) Vientiane 0540

¶11. (U) Summary: The Mekong River Commission (MRC) continues to mature as engagement with China expands. Member states Thailand, Cambodia, Laos and Vietnam met at the MRC's 16th Council that included a meeting with the MRC Donor Consultative Group in Thailand November 26-28. Donors announced \$66 million in funding while the MRC made a long-awaited decision to split permanently the MRC secretariat between Vientiane and Phnom Penh. After years of avoiding the contentious transboundary effects of hydropower development, the MRC's new regional hydropower assessment is now progressing with China's participation. Still uncertain is whether the MRC should recommend against building a particular dam, and if member states would heed such a recommendation. MRC members continue to show great interest in the Secretary's Lower Mekong Initiative and the prospect of U.S. scientific collaboration. Recommendation: A MRC summit planned for April 2010 in Thailand could be an opportunity for the EAP or OES Assistant Secretary to engage with Lower Mekong leaders as they tout transboundary water coordination.
END SUMMARY and RECOMMENDATION.

¶12. (U) In 1995 Cambodia, Laos, Thailand and Vietnam signed the Mekong Agreement, establishing the Mekong River Commission (MRC) and agreeing to joint management of their shared water resources for sustainable development. The MRC held its 16th meeting of the MRC Council, which included a session with the MRC Donor Consultative Group, on November 26-28 in Hua Hin, Thailand. Member states were represented at the ministerial level. Of the two MRC "dialogue partners," Burma sent an observer but China did not. Donor or consultant participants included Australia, Belgium, Denmark, Finland, France, Germany, Japan, Netherland, Sweden and the U.S., as well as ASEAN, Asian Development Bank, ESCAP, European Commission, International Union for the Conservation of Nature, World Bank, and Worldwide Fund for Nature.

INCREASED ACTIVITY WITH DIALOG PARTNERS CHINA AND BURMA

¶13. (U) As a "dialog partner," China has about half the Mekong River in length but contributes around 16% of the flow downstream (with rain contributing the rest). China had played a minimal role in the transboundary water issues that the MRC was created to address, but the new MRC Secretariat leadership has helped to change this. MRC representatives visited the Yangtze River Resources Commission flood control offices and the Ecosystem Study Commission for International Rivers (ESCIR); China pledged an ESCIR focal point to support the

MRC's hydropower assessment. China sent representatives to the MRC Flood Forum in May and the October stakeholder forum (Ref B). China now provides real-time hydrological data to the MRC during the rainy (flood) season, has recently agreed to provide historical data, and is now discussing an agreement to provide real-time data during the dry season as well. China is cooperating, with scientific data, for the MRC's strategic environmental assessment of Mekong hydropower dams, which will include the impact of Chinese dams. The MRC and China agreed to jointly organize seminars on navigation, following a first seminar in Jinghong in October 2008. Although China did not attend this MRC meeting, it indicated that it would attend the MRC's July meeting. Burma did participate and is reportedly close to allowing the MRC to upgrade and operate a Burmese hydrological station to aid in regional flood forecasting. Burma also participated in the MRC flood forum in May.

REGIONAL COOPERATION: ASEAN, ADB AND DONOR FUNDING

¶4. (SBU) The MRC Secretariat announced that the ASEAN secretariat had approved a memorandum of understanding (MOU) to be signed in the coming weeks. The MRC participated as an organization in the August ASEAN summit, and it plans to align its strategic planning with ASEAN's integration agenda. The Asian Development Bank has finalized a joint statement of cooperation that will be issued soon. MRC announcements of regional achievements included the signing of a letter of intent for cooperation with the Mississippi River Commission, but MRC secretariat officials told regional hub officer that progress towards a MOU with the Mississippi River Commission has been slow. The MRC announced donor multi-year funding to total \$66 million. While Australia and Denmark have expressed confidence in the MRC's new monitoring, reporting and evaluation procedures (many learned from working with USAID) by announcing direct funding of MRC programs, most donors such as Japan noted that assistance would continue to be managed by donor programming at the project level. (Note: In a meeting with Huboff prior to the MRC meeting, the Japanese embassy action officer for lower Mekong engagement noted that Japan's long list of assistance programs recently delivered at its Mekong summit (Ref D) was largely notional and that the MRC meeting was a venue for Japan to see which of the many types of assistance resonated with the lower Mekong countries. In the MRC meeting, the same Japanese representative announced only \$300,000 in firm funding to support the MRC. END NOTE.)

HYDROPOWER STRATEGIC ENVIRONMENTAL ASSESSMENT

¶5. (U) After virtually ignoring hydropower since the Mekong Agreement was signed in 1995, the MRC is now facing regional hydropower development head on with a Strategic Environmental Assessment (SEA) for the hydropower sector that will include the impact of China's eight existing or planned mainstream dams. With 60 million people dependent on the Mekong for food security and livelihood, MRC CEO Jeremy Bird noted that hydropower effects on the river posed the greatest strategic challenge to the Mekong Agreement since it was signed. (NOTE: There is around 3235MW currently generated on Mekong tributaries; dams totaling about 3209MW are in construction. On the Mekong mainstream, 11 dams are proposed by Cambodia, Laos and Thailand. END NOTE.) The SEA will include climate change, fisheries, energy and social systems. The twin goals are to integrate energy into the MRC's river basin development plan and to assess the impact of hydropower on the MRC members' sustainable development objectives. Completion is scheduled for July. MRC secretariat officials noted that USGS scientific support through its DRAGON program would hopefully contribute in a significant way to the data foundation of the assessment. In 2010, USAID RDMA will cooperate with MRC, WWF and ADB to supplement the ongoing SEA work by preparing a basin-wide sustainability assessment protocol specifically for use by the MRC (and possibly other river basins in Asia) to assess hydropower projects in a holistic, basin-wide context that takes into account cumulative impacts. USAID will also launch a new cooperative initiative with the ADB Greater Mekong Subregion (GMS) program to develop new SEAs targeting hydropower and other sectors by sharing practical experience between Mekong countries through "twinning" partnerships. Despite the new analysis the MRC should have at its disposal come July, it is not clear whether the MRC will seek to stop any dam construction, or whether any countries would heed MRC instructions in that regard.

16. (SBU) The MRC Secretariat was relocated from Phnom Penh to Vientiane in June 2004, though the Regional Flood Management and Mitigation Centre remained in Phnom Penh. Following several years of debate, the MRC Council agreed to split the Secretariat between Phnom Penh and Vientiane, where the chief executive and half of the program offices will remain. Concerns that Thailand would block the move to Phnom Penh, due to its current tension with Cambodia, did not materialize. The four countries also debated whether to alternate the Secretariat between the two cities; the donor community was fairly unanimous in the view that the Secretariat should stay in Vientiane, as any move would be costly, considering donor funding makes up a large percentage of the MRC's budget. Still, almost all donor representatives expressed to Emboffs satisfaction, on balance, that the permanent location had finally been decided; recruitment for Secretariat positions had been difficult since potential employees did not know how long the office would remain in Vientiane. Moving half the Secretariat to Cambodia was also seen as having a capacity-building effect for Cambodia.

Note: In the closed-door development partner meeting representatives generally agreed that they were not entirely satisfied with the outcome of the decision to split the MRC Secretariat. Development partners (DPs) would have preferred a single location. After much discussion it was decided that donor partners would make a supportive comment in the MRC plenary session. The group understood that the Council's decision was a difficult matter that required compromise. DPs expressed that they stand ready to work with the MRC to make co-hosting effective to ensure a focus on the substantive issues within the MRC's mandate. End Note.

MRC FUTURE: Budget, Summit and Hydropower consultations

17. (SBU) Member and donor representatives alike spoke of the need for members to fund more of the MRC Secretariat budget. Member contributions, which vary by member, were about \$1.5 million in 2008 and have been slowly, if steadily increasing since 2000. Donor contributions put the technical assistance budget at around \$30 million. The Secretariat floated other avenues for member funding, such as the carbon development mechanism or some sort of levies on development projects such as hydropower dams. The Council agreed to a heads of state summit for April 5, 2010, as part of the 15th anniversary of the Mekong Agreement. The MRC reported that China had signaled that it would likely send a high level delegate to the summit. Thai Environment Minister Suwit, as 2009-10 chair of the MRC Council, told ESTHoff that since the summit would be in Thailand, he was sure that Prime Minister Abhisit would participate and that donor/collaborating countries such as the U.S. would be invited.

COMMENT

18. (SBU) This meeting showed that the members take the MRC seriously; the Mekong River Commission is maturing but still faces a test of relevancy. Under the 1995 Mekong Agreement, members committed to prior notification, followed by a consultation process for any member's actions that affected other members' use of the river, such as for hydropower projects. So far there have been no formal notifications despite MOUs signed in member countries for mainstream Mekong Dams. One test of the Mekong Agreement and MRC will be if the notification procedures are followed, but the true test would be if Laos altered plans for any planned mainstream dam on the basis of MRC consultation. In the past, when there were transboundary issues of any consequence, the (usually) two countries involved would negotiate bilaterally rather than use the legal mechanisms of the Joint Committee or Council the Secretariat would not get involved beyond providing information so as to maintain its independence. One of the main criticisms by donors is MRC timidity to address the difficult transboundary issues such as hydropower, and the lack of member attention paid to the Secretariat on the issues that were addressed.

19. Large-scale donors like Australia and Denmark are showing confidence in MRC by funding programs directly, and with keen interest in U.S. expertise and experience, perhaps the USG should look for more ways to support the MRC. Japan and China have pledged billions in assistance to the lower Mekong countries but not to the MRC specifically. Donors were unanimous that the MRC has made progress in monitoring and evaluation tools (derived in part from observing USAID practices). Much donor criticism in the past has stemmed from inadequate program controls. An independent review of

MRC practices in 2007 made 33 recommendations; donors at this meeting noted with satisfaction that 27 of those recommendations had been implemented. The low member contributions compared to the MRC overall budget remains a cause for concern; true ownership by the members will require higher contributions.

¶10. Seconding USG scientists to assist the MRC in its hydropower assessment or other initiatives, or organizing study tours to the U.S. would be welcome. France and Germany have each sent a technical advisor to work at the MRC Secretariat. As the MRC CEO Jeremy Bird said, hydropower represents the MRC's most important strategic challenge since the Mekong Agreement was signed in 1995. (NOTE: although not an activity with the MRC, USGS will hold a DRAGON Forecast Mekong workshop in Can Tho, Vietnam from December 9 to 11, which will involve MRC member representatives. END NOTE) Some USG facilitation of the Mississippi and Mekong Commissions partnership appears to be needed.

¶11. (U) This is a joint cable from Embassies Bangkok and Vientiane.

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